



General Assembly

February Session, 2004

Raised Bill No. 109

LCO No. 1025

* _____SB00109INS__030304_____*

Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

***AN ACT CONCERNING THE CONNECTICUT LIFE AND HEALTH
INSURANCE GUARANTY ASSOCIATION ACT.***

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Subsection (g) of section 38a-860 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2004*):

4 (g) The benefits for which the association may become liable shall in
5 no event exceed the lesser of: (1) The contractual obligations for which
6 the insurer is liable or would have been liable if it were not an
7 impaired insurer, or (2) (A) with respect to any one life, regardless of
8 the number of policies or contracts: (i) [~~Three~~] Five hundred thousand
9 dollars in life insurance death benefits, but no more than [~~one~~] five
10 hundred thousand dollars in net cash surrender and net cash
11 withdrawal values for life insurance; (ii) five hundred thousand
12 dollars in health insurance benefits, including, but not limited to, any
13 net cash surrender and net cash withdrawal values; (iii) [~~one~~] five
14 hundred thousand dollars in the present value of annuity benefits,
15 including, but not limited to, net cash surrender and net cash
16 withdrawal values; (B) with respect to each individual participating in

17 a governmental retirement plan established under Section 401, 403(b)
18 or 457 of the United States Internal Revenue Code covered by an
19 unallocated annuity contract or the beneficiaries of each such
20 individual if deceased, in the aggregate, [one] five hundred thousand
21 dollars in present value annuity benefits, including, but not limited to,
22 net cash surrender and net cash withdrawal values; (C) with respect to
23 each payee of a structured settlement annuity, or beneficiary or
24 beneficiaries of the payee if deceased, [one] five hundred thousand
25 dollars in present value annuity benefits, in the aggregate, including,
26 but not limited to, net cash surrender and net cash withdrawal values,
27 if any, provided in no event shall the association be liable to expend (i)
28 more than the five hundred thousand dollars in the aggregate with
29 respect to any one individual under subparagraphs (A), (B) and (C) of
30 this subdivision, and (ii) with respect to one owner of multiple
31 nongroup policies of life insurance, whether the policy owner is an
32 individual, firm, corporation or other person, and whether the persons
33 insured are officers, managers, employees or other persons, more than
34 five million dollars in benefits, regardless of the number of policies and
35 contracts held by the owner; (D) with respect to either (i) one contract
36 owner provided coverage under subparagraph (B) of subdivision (2) of
37 subsection (b) of this section, or (ii) one plan sponsor whose plans own
38 directly or in trust one or more unallocated annuity contracts not
39 included in subdivision (2) of subsection (f) of this section, five million
40 dollars in benefits regardless of the number of contracts with respect to
41 the contract owner or plan sponsor, except that in the case where one
42 or more unallocated annuity contracts are covered contracts under
43 sections 38a-858 to 38a-875, inclusive, as amended by this act, and are
44 owned by a trust or other entity for the benefit of two or more plan
45 sponsors, coverage shall be afforded by the association if the largest
46 interest in the trust or entity owning the contract or contracts is held by
47 a plan sponsor whose principal place of business is in this state and in
48 no event shall the association be obligated to cover more than five
49 million dollars in benefits with respect to all such unallocated
50 contracts.

51 Sec. 2. Subsection (c) of section 38a-866 of the general statutes is
52 repealed and the following is substituted in lieu thereof (*Effective*
53 *October 1, 2004*):

54 (c) (1) The amount of any Class A assessment shall be determined
55 by the board and may be authorized and called on a pro-rata or non-
56 pro-rata basis. If an assessment is made on a pro-rata basis, the board
57 may provide that the assessment be credited against future Class B
58 assessments. [The total of all non-pro-rata assessments shall not exceed
59 one hundred fifty dollars per member insurer in any calendar year.]
60 The amount of any Class B assessment shall be allocated for
61 assessment purposes among the accounts pursuant to an allocation
62 formula which may be based on the premiums or reserves of the
63 impaired or insolvent insurer or any other standard that the board, in
64 its sole discretion, deems as being fair and reasonable under the
65 circumstances.

66 (2) Class B assessments against member insurers for each account
67 and subaccount shall be in the proportion that the premiums received
68 on business in this state by each assessed member insurer on policies
69 or contracts covered by each account for the three most recent calendar
70 years for which information is available preceding the year in which
71 the insurer became insolvent or, in the case of an assessment with
72 respect to an impaired insurer, the three most recent calendar years for
73 which information is available preceding the year in which the insurer
74 became impaired bear to such premiums received on business in this
75 state for those calendar years by all assessed member insurers.

76 (3) Assessments for funds to meet the requirements of the
77 association with respect to an impaired or insolvent insurer shall not
78 be authorized or called until necessary to implement the purposes of
79 sections 38a-858 to 38a-875, inclusive, as amended by this act.
80 Classification of assessments under subsection (b) of this section and
81 computation of assessments under this subsection shall be made with a
82 reasonable degree of accuracy, recognizing that exact determinations

83 may not always be possible. The association shall notify each member
84 insurer of its anticipated pro-rata share of an authorized assessment
85 that is not yet called not later than one hundred eighty days after the
86 association authorizes the assessment.

This act shall take effect as follows:	
Section 1	<i>October 1, 2004</i>
Sec. 2	<i>October 1, 2004</i>

INS ***Joint Favorable***